

South Carolina Department of Insurance

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Media Advisory

June 10, 2010 For Immediate Release

South Carolina Department of Insurance Approves WC Loss Cost Filing Decrease

Scott H. Richardson, Director of the South Carolina Department of Insurance, announced today that the Department has reviewed and approved a Workers' Compensation Voluntary Market Loss Costs and Rating Values Filing, submitted by the National Council on Compensation Insurance, Inc., allowing an overall rate decrease in workers' compensation loss costs of 9.8%. "This is the second year a decrease has been approved," said Director Richardson. "We are pleased to see this trend toward an improved economic climate and hope to see this continue into next year."

In 2008, the Assigned Risk Plan, South Carolina's residual market mechanism, accounted for approximately 3.9% of the direct written premium for workers' compensation insurance coverage in the state. This was a decrease from 7.7 % in the previous year. "This decrease indicates that the majority of all workers' compensation insurance coverage is being written through the voluntary market thereby demonstrating a strong marketplace," stated Director Richardson. "There are several reasons for this trend as we have seen an increase in employer safety programs, a decrease in claim frequency and changes in the severity of claims."

Medical services account for approximately 42% of the total benefit costs incurred in workers' compensation systems. This is a significant change from two years ago. Indemnity payments (i.e. wage replacement costs) now account for the majority of workers' compensation costs. The primary reason for this shift is the change in the hospital fee schedule that was implemented in October 2006 by the South Carolina Workers' Compensation Commission.

In 2007, Governor Sanford enacted Act No. 111 entitled Workers' Compensation Reform. This law addressed many of the administrative issues often cited as cost drivers to the workers' compensation system and called for various reforms to the South Carolina workers' compensation system in an effort to help stabilize the rates in this market.

Among the reforms established by 2007 S.C. Act No. 111, was the requirement that insurers file and receive approval of the loss cost multiplier and any modifications to the approved loss costs 30 days prior to using the new rates. The Act also required the Department to engage the services of a credentialed actuary to review these filings, a practice the Department has and will continue to use when reviewing filings. Additionally, 2007 S.C. Act No. 111 provided for the elimination of the Second Injury Fund by 2013. "We believe these reforms will help stabilize the rates in this market," concluded Director Richardson. "We will continue to monitor this trend and assess the impact these reforms have on workers' compensation rates in South Carolina as it will take several years to realize the full impact."